

ANGLO UNITED

Development Corporation

LIMITED

AR48

32nd ANNUAL REPORT

1981



ANGLO UNITED

Development Corporation
LIMITED

Board of Directors

*John C. Evans
Toronto, Canada
Investment Dealer

Matthew Gilroy
Dublin, Ireland
Vice-President, Tara Exploration and
Development Company Limited

L. Jules Gregoire
Hull, Canada
Civil Engineer

A. Garfield Heyes
Toronto, Canada
Executive Vice-President,
Anglo United Development
Corporation Limited

Patrick J. Hughes
Dublin, Ireland
Chairman, Northgate Exploration Limited

John F. Kearney
Toronto, Canada
Executive Vice-President
Northgate Exploration Limited

Alan R. B. Lowe
Toronto, Canada
President, Anglo United
Development Corporation Limited

Peter McAleer
Dublin, Ireland
Vice-President, Northgate Exploration Limited

James H. Morlock
Toronto, Canada
Barrister and Solicitor

*Deceased, December 1981

Officers

Alan R. B. Lowe
President

A. Garfield Heyes
Executive Vice-President

John C. Evans
Vice-President

Matthew Gilroy
Vice-President

W. K. Sandham
Secretary-Treasurer

Technical Staff

David G. Wilbur, B.Sc., Exploration Manager
and Chief Geologist

Peter K. Dendle, B.Sc., M.Sc., Project Geologist

Richard McCormack, B.A., Geologist

Jonathan S. Carter, B.Sc., A.R.S.M., Research Geologist

Timothy C. Cranley, Field Manager

Shareholders' Auditors

Coopers & Lybrand
Chartered Accountants, Toronto, Canada

Bankers

Bank of Nova Scotia, King and Victoria Sts. Branch,
Toronto, Canada

Bank of Nova Scotia, St. Stephens Green,
Dublin, Ireland

Transfer Agent and Registrar

Canada Permanent Trust Company, Toronto, Canada

Branch Transfer Agent

Gerald Quin, Cope & Co. Limited, London, England

Executive and Head Office

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Dublin Office

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Annual Meeting of Shareholders

Tuesday, 13th April, 1982, 9:00 a.m. Toronto Time
The Library Room, Main Mezzanine, Royal York Hotel,
100 Front Street West, Toronto, Canada



Above: Technician carrying out Induced Polarization Survey at Donegal Uranium Project. Right: Members of the Technical Staff, Munster Base Metals Limited.

Alongside: Field evaluation of drill core by radon assaying of uranium mineralization.



Below: Left, a familiar field scene — transporting drill core boxes for examination and storage. At right is a group picture of Munster Base Metals' staff; Alan R. B. Lowe, President, is third from left and to the right are Matthew Gilroy, Vice President and David G. Wilbur, Exploration Manager and Chief Geologist.



DIRECTORS' REPORT TO SHAREHOLDERS

The Board of Directors is pleased to present the 32nd Annual Report of the Corporation. Included are the audited consolidated financial statements of the Corporation and its wholly owned subsidiaries for the fiscal year ended 31st October, 1981.

The following is a general review of the principal mineral resource properties and interests held by the Corporation, together with a summary of the significant exploration activities and developments during fiscal 1981 and the subsequent period to 31st January, 1982.

The Corporation, through its wholly owned Irish subsidiary, Munster Base Metals Limited, had a direct interest in 43 prospecting licences in Ireland at fiscal year end 1981 and applications for additional licences are pending. The prospecting licences include 15 which are 100% owned and operated by Munster (an increase of five from the previous year), nine fall within the Munster-Penarroya-Preussag Joint Venture which is currently managed by Munster, and the remaining 19 are the subject of various Joint Venture Agreements which are operated by other corporations.

During the period, exploration activity has been increasingly concentrated around the Clontibret area of County Monaghan, encouraged by discoveries of widespread indications of gold-bearing mineralization. Munster currently holds five licences in this area and a number of applications have been submitted for adjacent areas along geologically favourable trends.

Elsewhere in Ireland, Munster retains 100% interest in its four licences in the Fintown area of County Donegal, where, in addition to the partially explored uranium potential, base metals and barite show promising indications. Base metals are also the main interest on the five licences in the Longford-Leitrim-Roscommon area, located approximately 45 miles (75 km) west of the Navan zinc-lead deposit of Tara Mines Limited, in a geologically similar environment.

The early part of 1981 saw completion of extensive diamond drilling programs on the Donegal licences and on the Munster-Penarroya-Preussag Joint Venture Wexford licences. At the end of June, 1981 exploration diamond drilling commenced in the Clontibret area of gold-bearing mineralization in conjunction with other related geochemical, geophysical and prospecting programs.

The parent corporation, Anglo United, also has resource interests in Canada, notably a 19-claim gold prospect at Snare River, Yellowknife area, Northwest

Territories. This 100% owned gold property, held under mining lease, has been the subject of extensive exploration which has been carried out intermittently since 1965. During the period, investigative studies have been carried out in an evaluation of various approaches for a renewal of exploration and underground development.

FINANCIAL

Exploration expenditures, principally in Ireland, were again maintained at a high level during fiscal 1981, totalling \$753,508 of which \$122,903 was in joint ventures. The comparative figures for fiscal 1980 were \$956,931, with \$712,736 mainly attributable to expenditures in connection with the Donegal Uranium Project and the remainder for joint venture programs.

On June 4, 1981, Anglo United issued 480,000 treasury shares for cash of \$600,000. Working capital at the end of fiscal 1981 amounted to \$379,206 as compared with \$612,142 at the beginning of the period.

The Corporation and its wholly owned investment subsidiary have a combined holding of 246,333 shares in Northgate Exploration Limited with a quoted market value at 31st October, 1981 of \$1.7 million.

CLONTIBRET GOLD PROJECT

Diamond drilling with 'A' core equipment in 1979 confirmed and extended the gold potential first indicated by the 1956-57 program of underground drilling at the old Clontibret Mine which was worked on a small scale for antimony during World War I.

The 1979 drilling indicated the presence of three to five narrow gold-bearing quartz veins with associated arsenopyrite mineralization cutting folded greywackes and shales. The zone was traced over a north-south strike length in excess of 1,200 feet, still open at both ends, and had only been tested to a vertical depth of 200 feet.

Four of the seven holes in the 1979 program obtained significant intersections, ranging from 2.0 feet at 0.09 oz./ton gold to 4.0 feet at 0.28 oz./ton. Two narrow but excellent grade intersections were obtained in Hole CL-79-3, being 2.0 feet at 0.45 oz./ton gold and 1.5 feet at 0.51 oz./ton. Hole CL-79-1 cut, among other intersections, 2.5 feet at 0.52 oz./ton.

These results were reported in detail in the 1979 Annual Report.



One of the several trenches put down on the Clontibret Gold Project area to obtain sub-surface geochemical samples. A total of 12 trenches for a combined 1,614 linear feet were excavated.

Drill on site at Clontibret employing 'HQ Triple Core Barrel', recovering core samples three inches in diameter.



Area Exploration

During 1981, extensive exploration has been undertaken over a wider area around Clontibret. This has involved shallow reconnaissance, deep overburden and stream sediment geochemistry; geophysics; geological mapping and prospecting; trenching of bedrock and diamond drilling.

An initial deep overburden geochemical sampling program to the north, south and east of Clontibret, revealed extensive geochemical anomalies running broadly ENE-wards, parallel to the regional strike of the underlying Lower Palaeozoic greywackes. In the south, an extensive anomaly was traced from an area 1,000 feet (305 m) south of the old workings, at least 5,000 feet (1500 m) ENE-wards.

The highest values were located in the Ballygreany area approximately 3,500 feet (1100 m) east of the Tullybuck shafts. Unusually thin (generally less than five feet) overburden in this area, made it an ideal location for trenching. A total of 12 trenches amounting to 1,614 linear feet (492 m) were excavated in an attempt to gain knowledge and identify the source of the geophysical anomaly.

The trenches, and particularly those located in the areas of the highest geochemical values, showed encouraging results from bedrock chip samples, the

best (content and length) averaging 0.45 ppm (0.013 oz.) gold over 26.25 feet. The host rock was a weathered and iron-stained quartz-dolomite veined greywacke.

Diamond Drilling

As a result of the promising deep geochemistry and trenching values, a program of diamond drilling was initiated in the Ballygreaney area at the end of June 1981 and five holes totalling 1,270.4 feet (387.2 m) were drilled during the fiscal period ended 31st October, 1981. This phase of the drilling was carried out over an area of approximately 460 feet east-west by about 400 feet north-south.

The problem of very poor core recovery, which had hampered all previous drilling in the Clontibret area, was successfully overcome using 'HQ triple core barrel' drilling equipment, recovering core three inches in diameter.

The best intersection was obtained from Hole CL-81-1, drilled at -45° NW beneath trenches BL- and BL-2 which showed bedrock gold values averaging 0.45 ppm (0.013 oz.) over 26.25 feet and a peak geochemical anomaly. This hole obtained an intersection averaging 0.033 oz./ton gold over a core length of 14.3 feet in the interval between 76.1 feet to 90.4 feet, occurring in predominantly quartz-veined and sheared pyritic greywackes.

A view of the Town of Clontibret from the Munster Base Metals' Clontibret Gold Prospects.





Holes CL-81-2 and CL-81-4, drilled along parallel sections 66 feet to the NE and SW respectively, did not intersect any obvious extension of the gold-bearing quartz shear zone running parallel to the regional ENE-trending strike. There is, however, strong geological and geochemical evidence that north-eastwards from Hole CL-81-1 the zone is truncated by a fault running N10°E. Further faults along this trend are evident from the trenching and geochemical contours.

Detailed geological mapping along the Tullybuck stream section has identified similar N10°E trending faults, but the best gold values occur in narrow quartz-dolomite arsenopyrite-rich zones which trend NNW. These gold bearing zones appear to be best developed in altered arenaceous greywackes.

No structures with this NNW trend could be positively identified at Ballygreaney despite the extensive trenching and diamond drilling.

Drill holes CL-81-3 and CL-81-5 were sited approximately 430 feet southeast and 460 feet east

respectively, from CL-81-1. Hole CL-81-3, angled at -45°SW, was designed to test the bedrock gold values of 0.68 ppm (0.02 oz.) obtained in Trench BL-4. Hole CL-81-5 was also drilled at -45° to test beneath Trench BL-6 which showed low grade gold mineralization throughout its length of some 200 feet, with a peak value of 0.12 ppm (0.004 oz.) gold.

Following the completion of the aforementioned drill holes, drilling equipment was moved to the southern Carrickaderry area, about 1,000 feet south of the Clontibret shafts, where Holes CL-81-6 and CL-81-7 were drilled. While these holes did not intersect any strong zones of mineralization evident in Trench BL-3 from which a bedrock sample returned gold values averaging 0.04 across 9.8 feet, low grade gold values over intersections varying from two to five feet were obtained in both holes.

Hole CL-81-6 was drilled at -45°ESE beneath Trench BL-3 and CL-81-7 was drilled in the opposite direction on a section 155 feet NNE and about 425 feet east of CL-81-6. Both holes showed scattered trace amounts of gold but no distinct zones.

Diamond drilling at Clontibret, Ireland.



Split and unsplit core samples awaiting assays. Core rack at rear.



LICENCES



Holes CL-81-8 and CL-81-9, sited about 1,100 feet north of the Clontibret shaft, were designed to test the projected intersection of the Clontibret gold-bearing structures with the second, northern deep geochemical anomaly in the Lisglassan area.

Hole CL-81-8, drilled at -45° ESE-wards, assayed a very promising 0.19 oz./ton of gold over 4.9 feet from 250.0 to 254.9 feet, several low grade intersections were also found in the upper part of the hole over core lengths of 9.0 feet from 100.0 to 109.0 feet and 22.1 feet from 163.7 to 185.8 feet.

Hole CL-81-9, sited about 290 feet west of CL-81-8, was drilled at -45° ESE with the objective of intersecting any extension of the three principal zones in this direction. This hole, which was bottomed at 627 feet, passed through a number of weakly mineralized zones which appear to correlate with the veins now recognized in the best known and tested area to the SSE, with the best intersections being 2.4 feet from 360.0 feet to 362.4 feet assaying 0.05 oz./ton, and 13.0 feet from 197.0 feet to 210.0 feet returning 0.017 oz.

The total footage drilled in this completed phase of the program was 2,909 feet, of which 1,695 feet was completed to the end of fiscal 1981.

Correlation of the various gold-bearing intersections in the drill holes and the underground workings is difficult. One of the major factors hindering such a correlation is the very poor core recoveries, especially in the 1956-57 drilling as well as the 1979 program. There is clear evidence from the underground results at Tullybuck, and from surface exposure, that most of the gold-bearing zones trend approximately NNW.

Extrapolating this trend with a fairly steep westwards dip to include significant intersections in the drill holes, suggests that at least three major zones are present. These have been designated from west to east, the 'L', 'M' and 'N' zones. The 'M' zone is the main zone exposed in the stream and explored in the underground workings.

The most easterly, or 'N' zone, is the gold-bearing structure intersected by holes CL-79-6 and CL-81-8. All zones are open to the north and south and there is no reason to suppose that other parallel zones do not exist further to the east and west, or that the zones do not persist to depth.

Reconnaissance deep geochemical sampling along stream valleys has produced two strong anomalies some 2,500 feet (760 m) NNE of the old shafts, in the Bryanlitter area. Values compare more favourably with similar samples taken along the Tullybuck stream valley and there is a good chance that a completely new zone may have been discovered. This new target is currently being investigated.

Interpretation of the complex geological and geochemical information obtained in the current exploration program in the Clontibret area has generated new ideas of the conditions favouring gold mineralization both on a local and regional scale. Targets forthcoming from these ideas will be the subject of extensive reconnaissance and follow-up work during the coming year.

DONEGAL LICENCES

The four licences in County Donegal, NW Ireland, cover a mountainous area approximately 22 miles long by three to six miles wide. About 80% of the licence block is underlain by the NE-SW elongated Main Donegal Granite and the remaining area by Dalradian metasediments which form part of the southeastern envelope of the granite.

The intensive exploration activity of 1979-80 which concentrated mainly on uranium and discovered appreciable amounts in linear pegmatite zones, was suspended in early 1981. This decision was largely influenced by the depressed value of uranium on world markets and consequently the opportunity was taken to carefully evaluate the extensive accumulated exploration data and so provide a firm basis for future programs.



The total diamond drill footage of 13,778 feet (4,200 m) in 63 holes was divided amongst a selected number of targets revealed by extensive radiometric prospecting, deep geochemistry, I.P. geophysical surveys and geological mapping along the six mile (9 km) strike length of the Main Radioactive Zone. Several of these targets showed encouraging amounts of uranium in drill core, the highlights of which have been reported in detail in the 1979 and 1980 Annual Reports.

It should be noted that the potential for finding economic tonnages of uranium in this area has by no means been anywhere exhausted. However, Management feels that further substantial investment in exploration should be deferred until more favourable conditions might be anticipated.

In the Glenaboghil area, where calcareous and pelitic metasediments flank the southern contact of the granite, extensive deep geochemical anomalies have been detected for zinc, lead and barite. There are encouraging geological similarities between this area and the recently discovered strata-bound zinc-barite deposits in the Dalradian of Central Scotland, near Abergfeldy.

Further work to investigate the barite and base metal potential is being considered for this area.

MUNSTER-PENARROYA-PREUSSAG JOINT VENTURE

The period from 1979 to 1981 saw an extensive diamond drilling program on the six licences which make up the Wexford block. This campaign was completed in early 1981 with 13,534 feet (4,125 m) drilled in 17 holes. During the 1981 fiscal year, 3,387 feet (1,032 m) was drilled, and with the exception of the last two holes, the significant features have already been reported.

These final holes were drilled to intersect the Rosslare Fault zone, which brings carboniferous limestones and dolomites against basement slates and quartzites — an environment which has proved particularly favourable for base metal mineralization elsewhere in Ireland. Although neither of the holes intersected significant mineralization, the potential of the 20 mile (32 k) long fault zone was not thoroughly tested by two isolated holes.

On completion of the drilling program, a detailed re-evaluation of all previous exploration data, back to 1965, was undertaken. This study produced a number of interesting base metal targets, which are under consideration with our Joint Venture partners. No firm decision has yet been taken to further examine the deep Coal Measures discovered in the extreme southwest of the licence block.

In the Mallow area, County Cork, where three licences are held and previous exploration indicated the possible existence of approximately four million tons grading 0.69% copper and 0.86 oz./ton silver, two office-based studies were undertaken. One was an up-dated economic study of the deposit which concluded that the various economic factors which might warrant an in-depth appraisal, did not currently exist. The second study was that the southern, strata-bound, silver-rich portion of the deposit warranted further consideration, especially on the so far untested southern flank of the anticlinal structure.

SNARE RIVER GOLD PROJECT, N.W.T., CANADA

During 1980-81 and continuing into 1982, a series of studies relative to the Snare River Gold Property at Camp Lake, Yellowknife, have been undertaken. These studies examined a number of exploration approaches and alternative methods of procedure, including both surface and underground diamond drilling as well as underground development.

The most recent evaluation recommends an initial 2,770 feet of BQ drilling at an estimated cost of \$185,000 to test for faulted extensions of veins, extensions of the known veins; and continuation of previously inadequately tested veins. One of the particular objectives of the recommended program is to test a new concept derived from recent studies which indicate the existence of an heretofore undetected fault, the Anglo Fault.

The position of the faulted portions of the No. 1, No. 2 and No. 3 Zones has been determined by the solution of movement on the Anglo Fault. It has been postulated that the apparent movement on the fault has resulted in portions of these veins being offset.

The recommended new program contemplates the drilling of nine holes which, in addition to a test for faulted portions of the No. 1, No. 2 and No. 3 Zones, will also probe the No. 3 Zone in which an intersection of 0.56 oz./ton across 2.4 feet was obtained in earlier drilling and never followed up.

The essential objective of the drilling is to add new reserves, rather than merely further testing within already drilled areas, primarily to replace the approximate 23,120 tons of drill indicated and potential reserves, containing an estimated 8,425 ounces of gold, because of their location in the now necessary crown pillar, one of the adverse results of the 1974 flooding following the completion of the Northern Canada Power Commission's Snare Forks dam and hydroelectric facility.

Negotiations with Northern Canada Power Commission for settlement of damages from this flooding have been in progress for some time. The damages

suffered include tangible items such as the loss of reserves to the crown pillar, additional costs necessary to re-locate the proposed underground decline for underground exploration and development, the lack of access to those portions of the property now under water for surface prospecting and the ability to spot drill holes from dry land, as well as the intangible damages in the overall calibre of the entire project in terms of the economic factors for ongoing work.

Most of the drilling now proposed is for areas covered by water and therefore necessitating the drilling to coincide to conditions when sufficient thickness of ice to support the drill rig. The preferred time for this drilling would be around the end of February. Implementation of this initial phase of the overall recommended work, must necessarily await the improvement in gold prices and the related economic considerations, including an improvement in financing conditions to fund the project.

The most recent evaluation of the indicated plus potential reserves of the No. 1 and No. 2 Zones, net of the tonnage and estimated contained gold for the crown pillar totalling some 23,120 tons (8,425 ounces), total 51,150 tons grading 0.40 oz./ton gold (20,485 ounces).

Because of the 20-year mining lease, which is in good standing until March 1992 (and subject to application for renewal for another similar term), the timing of this program to the desired economic circumstances is completely flexible. This situation will be carefully monitored in order to implement the recommended procedures in the exploration, development and exploitation of this property.

GENERAL AND ORGANIZATION

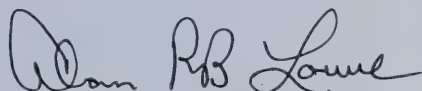
It is with utmost regret that we record the death of Mr. John C. Evans in December, 1981. Mr. Evans has served as a Director and Vice-President for many years and his valuable contribution in both time and faithful effort, especially in terms of his financial and administrative perception, is greatly appreciated.

The vacancy on the Board has been filled by the appointment of Mr. W. Kenneth Sandham, who also serves as the Secretary-Treasurer of the Corporation.

During the year, Mr. George T. Smith retired from the Board and this vacancy has been filled by the appointment of Mr. John F. Kearney, Executive Vice-President of the parent corporation, Northgate Exploration Limited.

The Board of Directors acknowledges the excellent efforts of the senior staff and all employees, as well as the capable direction provided by the specialized consultants. The current program of Clontibret in Ireland is singled out as a special short term target for the year, offering intriguing potential for the development of a concept of gold deposition that is perhaps quite unique to Ireland.

On behalf of the Board of Directors

A handwritten signature in dark ink, appearing to read "Alan R. B. Lowe". The signature is fluid and cursive, with the first name "Alan" being more prominent.

"Alan R. B. Lowe"

President.

12th March, 1982

ANGLO UNITED DEVELOPMENT CORPORATION

CONSOLIDATED BALANCE SHEET AS AT OCTOBER 31, 1981

ASSETS

CURRENT ASSETS

Cash	
Short-term deposits	
Marketable securities (quoted market value \$8,500; 1980 — \$27,200)	
Accounts receivable	
Prepaid expenses	

INVESTMENTS — at cost (note 2)

Shares of Northgate Exploration Limited (quoted market value 1981 — \$1,724,331; 1980 — \$3,294,704)	
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MINING AND OIL PROPERTIES (notes 1 and 3)

Oil leases	
Mining claims	
Interest in exploration ventures	
Deferred exploration expenses	

OTHER ASSETS

Exploration fixed assets — at cost, less accumulated depreciation of \$140,367 (1980 — \$140,339) (note 1)	
Organization expenses	

LIABILITIES

CURRENT LIABILITIES

Accounts payable and accrued charges	
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SHAREHOLDERS' EQUITY

CAPITAL STOCK (note 5)

Authorized — 10,000,000 common shares without par value	
Issued and fully paid — 8,222,850 shares (1980 — 7,742,850 shares)	

DEFICIT	
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ON LIMITED



1981	1980
\$	\$
21,187	—
358,000	588,718
42,025	42,025
33,640	44,806
6,374	7,141
<u>461,226</u>	<u>682,690</u>

<u>299,672</u>	<u>231,541</u>
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10,992	16,210
72,500	72,500
844,125	1,199,011
3,012,541	2,418,216
<u>3,940,158</u>	<u>3,705,937</u>

2,465	17,854
18,653	18,653
21,118	36,507
<u>4,722,174</u>	<u>4,656,675</u>

<u>82,020</u>	<u>70,548</u>
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281,372	6,681,372
<u>641,218</u>	<u>2,095,245</u>
640,154	4,586,127
<u>722,174</u>	<u>4,656,675</u>

AUDITORS' REPORT TO THE SHAREHOLDERS

We have examined the consolidated balance sheet of Anglo United Development Corporation Limited as at October 31, 1981 and the consolidated statements of loss and deficit and changes in financial position for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as we considered necessary in the circumstances.

In our opinion, these consolidated financial statements present fairly the financial position of the company as at October 31, 1981 and the results of its operations and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Toronto, Ontario
November 27, 1981

Coopers & Lybrand
Chartered Accountants

SIGNED ON BEHALF OF THE BOARD

J. F. KEARNEY, Director

A. G. HEYES, Director

ANGLO UNITED DEVELOPMENT CORPORATION LIMITED

CONSOLIDATED STATEMENT OF LOSS AND DEFICIT

For the Year Ended October 31, 1981

	1981	1980
INCOME	\$	\$
Oil production — net	5,218	16,062
Interest and other income	114,495	168,843
	<u>119,713</u>	<u>184,905</u>
EXPENSES		
Administration	196,967	179,356
Bank interest	—	4,300
Amortization of oil leases	5,218	16,062
Write-off of interest in exploration ventures	477,789	—
Write-off of deferred exploration expenses	36,280	—
(Gain) Loss on disposal of marketable securities and investments	(50,568)	68,890
	<u>665,686</u>	<u>268,608</u>
NET LOSS FOR THE YEAR	545,973	83,703
DEFICIT — BEGINNING OF YEAR	2,095,245	2,011,542
DEFICIT — END OF YEAR	<u>2,641,218</u>	<u>2,095,245</u>
LOSS PER SHARE FOR THE YEAR	<u>\$0.068</u>	<u>\$0.011</u>

CONSOLIDATED STATEMENT OF CHANGES IN FINANCIAL POSITION

For the Year Ended October 31, 1981

	1981	1980
SOURCE OF WORKING CAPITAL	\$	\$
Net loss for the year	—	(83,703)
Items not affecting working capital —		
Amortization of oil leases	—	16,062
Loss on disposal of marketable securities	—	68,890
Working capital provided from operations	—	1,249
Proceeds on issue of shares	600,000	1,211,130
Proceeds on disposal of long-term investment	102,433	—
Proceeds on disposal of marketable securities	—	161,012
	<u>702,433</u>	<u>1,373,391</u>
USE OF WORKING CAPITAL		
Net loss for the year	545,973	—
Items not affecting working capital —		
Amortization of oil leases	(5,218)	—
Write-off of interest exploration venture	(477,789)	—
Write-off of deferred exploration expenses	(36,280)	—
Gain on disposal of long-term investment	50,568	—
Working capital used in operations	77,254	—
Exploration fixed assets purchased (net)	1,611	34,890
Interest in exploration ventures	122,903	125,398
Deferred exploration expenses	630,605	832,133
Depreciation of fixed assets not requiring a cash outlay and charged to deferred exploration expenses	(17,000)	(63,869)
Cost of long-term investments purchased	119,996	—
Cost of marketable securities sold	—	229,902
	<u>935,369</u>	<u>1,158,454</u>
INCREASE (DECREASE) IN WORKING CAPITAL	(232,936)	214,937
WORKING CAPITAL — BEGINNING OF YEAR	612,142	397,205
WORKING CAPITAL — END OF YEAR	<u>379,206</u>	<u>612,142</u>

ANGLO UNITED DEVELOPMENT CORPORATION LIMITED

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended October 31, 1981

1. ACCOUNTING POLICIES

The accompanying financial statements are prepared in accordance with accounting principles generally accepted in Canada and conform in all material respects to international accounting standards. Outlined below are those policies considered particularly significant for the company.

(a) Basis of consolidation

The consolidated financial statements include the accounts of the company and its wholly-owned subsidiaries, Anglo United Investments Limited and Munster Base Metals Limited.

(b) Translation of foreign currency

Current assets and current liabilities are translated to Canadian dollars at the year-end exchange rate. Other assets have been translated at the rate in effect at the time of the transaction.

(c) Amortization

Oil leases are being written off in amounts equal to net revenue received.

(d) Depreciation

Depreciation is calculated on fixed assets at a rate of 100% per annum. Assets purchased during the year are depreciated from the month of purchase. This depreciation is charged to deferred exploration expenses.

(e) Interest in exploration ventures

These expenses are deferred until such time as they are written off against production from the property to which they apply, or until the interest is abandoned. Interests in joint ventures included in this classification are accounted for on the cost basis as the ventures have had no earnings to date and the expenditures made by the ventures are mainly deferred exploration expenses.

(f) Deferred exploration expenses

These expenses are deferred until such time as they are written off against production from the property to which they apply or until all the claims within the area are sold or otherwise disposed of. Sufficient expenditures are charged to expenses in the year incurred to absorb any income remaining after deduction of all other expenses.

2. INVESTMENTS

Due to the number of shares held, the quoted market value is not indicative of the value which may be more or less than that indicated by market quotations.

3. MINING AND OIL PROPERTIES

(a) The amounts shown for mining and oil properties represent costs to date, and are not intended to reflect present or future values.

(b) Oil leases consist of an interest in the Sarcee Buffalo Group and the Canex Buffalo Group in the Buffalo-Bindloss Area of Alberta.

(c) Mining claims consist of the Camp Lake property of 20 claims in the Snare River area, Northwest Territories.

ANGLO UNITED DEVELOPMENT CORPORATION LIMITED

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended October 31, 1981

3. MINING AND OIL PROPERTIES (cont'd)

(d) Interest in exploration ventures consists mainly of the expenditures on the Irish property covered by the Penarroya agreement of \$790,306 (1980 — \$1,063,100).

(e) Penarroya Agreement

As of November 1, 1975 Munster Base Metals Limited (a wholly-owned subsidiary), Societe Miniere et Metallurgique de Penarroya and Preussag — Metals A. G. entered into a joint venture agreement in respect of certain mining licences held in the Republic of Ireland. Under the agreement, which is to remain in force until such time as all licences have been abandoned or surrendered, Munster has an initial participating interest of one-third.

(f) Deferred exploration expenses are summarized below:

	1981	1980
	\$	\$
Balance — beginning of year	2,418,216	1,586,083
Expenditures during year	630,605	832,133
	3,048,821	2,418,216
Amounts written off	36,280	—
Balance — end of year	<u>3,012,541</u>	<u>2,418,216</u>

(g) Interest in exploration ventures are summarized below:

	1981	1980
	\$	\$
Balance — beginning of year	1,199,011	1,073,613
Expenditures during year	122,903	125,398
	1,321,914	1,199,011
Amounts written off	477,789	—
Balance — end of year	<u>844,125</u>	<u>1,199,011</u>

4. INCOME TAXES

(a) The company has substantial amounts of deferred exploration expenses available for income tax purposes which may be applied against income of future periods.

(b) One of the subsidiary companies has non-capital loss carry-forwards for income tax purposes of approximately \$198,000 which expire in varying amounts up to 1986.

5. CAPITAL STOCK

(a) During the year the company issued 480,000 shares to an existing shareholder for cash of \$600,000.

(b) During 1979, options were granted to employees on 130,000 shares at a price of \$2.95 a share, exercisable at any time up to and including December 5, 1981. As at October 31, 1981 options on 110,650 shares remained outstanding. During 1981, options were granted to employees on 4,000 shares at a price of \$1.44 a share, exercisable at any time up to and including December 5, 1981. No options were exercised during the year.

ANGLO UNITED DEVELOPMENT CORPORATION LIMITED

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended October 31, 1981

6. SEGMENTED INFORMATION

Substantially all of the company's operations pertain to the exploration and development of mining properties and the financing thereof.

Geographic information concerning the company and its operations is as follows:

- (a) The company derives no income from Ireland and all items shown on the company's consolidated statement of loss pertain to activities in Canada except for deferred exploration expenses and interest in exploration venture written off, all of which pertain to Ireland.
- (b) Of the company's identifiable assets, \$3,008,941 are located in Ireland. All other identifiable assets are located in Canada.

7. COMPARATIVE FIGURES

Certain of the 1980 figures on the balance sheet and the statement of changes in financial position have been reclassified to conform with 1981 financial statement presentation.

